

6084

RECEIVED
LEGISLATIVE AUDITOR
2003 JAN -3 AM 11:38

WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA
COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Period Ended
June 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/22/03

**Waterworks District No. 4
of St. Martin Parish, Louisiana**

**Component Unit Financial Statements and Auditor's Report
As of and for the Period Ended June 30, 2002**

CONTENTS

| | <u>Exhibit</u> | <u>Page No.</u> |
|---|------------------------|------------------------|
| Independent Auditor's Report | | 1-2 |
| Component Unit Financial Statements: | | |
| Balance Sheet-June 30, 2002 | A | 3 |
| Statement of Revenues, Expenses and Retained Earnings-Period Ended June 30, 2002 | B | 4 |
| Statement of Cash Flows-For the Period Ended June 30, 2002 | C | 5 |
| Notes to the Financial Statements | | 7-12 |
| Supplementary Information: | <u>Schedule</u> | |
| Schedule of Insurance in Force | 1 | 13 |
| Schedule of Officers/Board Members | 2 | 14 |
| Operating Data | 3 | 15 |
| Internal Control, Compliance and Other Grant Information: | | |
| Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | | 16-17 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | | 18-19 |
| Schedule of Expenditures of Federal Awards | | 20 |
| Schedule of Findings, Questioned Costs and Management's Corrective Action Plan | | 21-22 |
| Summary Schedule of Prior Audit Findings | | 23 |

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N. MAIN STREET

ST. MARTINVILLE, LOUISIANA 70582

TELEPHONE: (337) 394-5571 • FAX: (337) 394-1720

CHARLES M. MARAIST, CPA *

REGINA B. MARAIST, CPA *

* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

We have audited the accompanying balance sheet of the Waterworks District No. 4 of St. Martin Parish, Louisiana as of June 30, 2002, and the related statement of revenues, expenses and changes in retained earnings, and statement of cash flows for the period then ended. These component unit financial statements are the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 4 of St. Martin Parish, Louisiana, as of June 30, 2002, and the changes in its fund equity and its cash flows for the period then ended in conformity with generally accepted accounting principles.

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2002 on our consideration of the Waterworks District No. 4's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the financial information listed as "Supplemental Information" in the table of contents, are presented for purposes of additional analysis and are not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Maraist & Maraist

MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2002

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana
BALANCE SHEET
June 30, 2002

Exhibit A

ASSETS

| | <u>6/30/02</u> |
|---|-----------------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 36,737 |
| Accounts receivable | 16,735 |
| Prepaid expenses | 5,204 |
| Insurance deposits | <u>1,138</u> |
| Total current assets | \$ 59,814 |
| Noncurrent Assets: | |
| Restricted cash and cash equivalents | \$ 158,828 |
| Capital Assets, at cost, net of accumulated depreciation of \$474,359 at 6/30/02 | <u>\$1,860,488</u> |
| TOTAL ASSETS | <u>\$2,079,130</u> ===== |

LIABILITIES AND FUND EQUITY

| | |
|--|-----------------------------|
| Current Liabilities (payable from current assets): | |
| Accounts payable | \$ 2,760 |
| Sales tax payable | 576 |
| Payroll taxes payable | <u>215</u> |
| Total current liabilities | <u>\$ 3,551</u> |
| Noncurrent Liabilities (payable from restricted assets): | |
| Contracts payable | \$ 137,732 |
| Customer deposits | 28,280 |
| Notes payable-St. Martin Bank | 1,737,991 |
| Notes payable-Louisiana Public Finance Authority | <u>345,000</u> |
| Total noncurrent liabilities | <u>\$2,249,003</u> |
| TOTAL LIABILITIES | \$2,252,554 |
| Fund Equity: | |
| Contributed Capital | \$ (159,124) |
| Retained Earnings/(Deficit)-Unreserved | <u>(14,300)</u> |
| TOTAL FUND EQUITY | <u>\$ (173,424)</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$2,079,130</u> ===== |

The accompanying notes are an integral part of these financial statements.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/(DEFICIT)
Period Ended June 30, 2002

Exhibit B

| | <u>FYE 6/30/02</u> |
|--|----------------------|
| <u>OPERATING REVENUES:</u> | |
| Water sales | \$ 66,942 |
| Installation/connection charges | 2,875 |
| Penalties & late charges | 2,487 |
| Miscellaneous revenues | <u>918</u> |
| TOTAL OPERATING REVENUES | \$ <u>73,222</u> |
| <u>OPERATING EXPENSES:</u> | |
| Salaries | \$ 18,600 |
| Payroll taxes | 1,428 |
| Insurance expense | 6,243 |
| Repair and maintenance | 7,647 |
| Depreciation expense | 12,522 |
| Chemicals and lime | 9,145 |
| Professional fees | 14,862 |
| Supplies | 5,081 |
| Telephone | 895 |
| Utilities | 7,203 |
| Safe water program | 1,245 |
| Office expense | 1,879 |
| Automotive Expense | 213 |
| Dues and subscriptions | 150 |
| Miscellaneous expenses | <u>409</u> |
| TOTAL OPERATING EXPENSES | \$ <u>87,522</u> |
| OPERATING INCOME/(LOSS) | \$ (14,300) |
| <u>NONOPERATING REVENUES/(EXPENSES)</u> | <u>-0-</u> |
| Assets transferred from Catahoula Water System | <u>(159,124)</u> |
| NET INCOME(LOSS) | \$ (173,424) |
| Amounts transferred to contributions | <u>(159,124)</u> |
| Increase/(decrease) in retained earnings | \$ (14,300) |
| RETAINED EARNINGS/(DEFICIT), BEGINNING | <u>-0-</u> |
| RETAINED EARNINGS/(DEFICIT), ENDING | \$ (14,300) ===== |

The accompanying notes are an integral part of these financial statements.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana
STATEMENT OF CASH FLOWS
Period Ended June 30, 2002

Exhibit C

| | |
|--|----------------------------|
| | <u>FYE 6/30/02</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from customers | \$ 73,591 |
| Payments to suppliers | (21,205) |
| Payments to employees | (18,600) |
| Other receipts/(payments) | <u>(33,804)</u> |
| Net cash provided/(used) by operating activities | \$ <u>(18)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Operating grants/transfers | \$ <u>43,929</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Proceeds from interim debt issued | \$ 1,326,169 |
| Purchase of land, buildings & equipment | <u>(1,186,995)</u> |
| Net cash provided by capital and related financing activities | \$ <u>139,174</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | \$ <u>-0-</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 183,085 |
| CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR | <u>12,480</u> |
| CASH AND CASH EQUIVALENTS-END OF YEAR | \$ <u>195,565</u> ===== |

The accompanying notes are an integral part of these financial statements.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana
STATEMENT OF CASH FLOWS
Period Ended June 30, 2002

Exhibit C
(continued)

FYE 6/30/02

RECONCILIATION OF OPERATING INCOME/(LOSS) TO
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES

| | |
|---|------------------|
| Operating income/(loss) | \$ (14,300) |
| Adjustments to reconcile operating income to net cash provided/(used) by operating activities: | |
| Depreciation expense | 12,522 |
| Changes in net assets and liabilities: | |
| Receivables, net | 369 |
| Prepaid expenses | (2,628) |
| Accounts payable | 2,760 |
| Other | <u>1,259</u> |
| Net cash provided/(used) by operating activities | \$ (18) ===== |

The accompanying notes are an integral part of these financial statements.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Waterworks District No. 4 of St. Martin Parish, Louisiana is a political subdivision of the St. Martin Parish Government. The waterworks district was established in 1999 to acquire and make improvements to the Catahoula Water System, in order to provide the rural areas of Catahoula and Isle Labbe with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control which is appointed by the parish government. The members of the board of control serve without compensation.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Waterworks District relating to the funds and account groups included in the accompanying general purpose financial statements conform in all material respects to generally accepted accounting principles applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

(A) Reporting Entity

These financial statements present the activities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, which is a component unit of the St. Martin Parish Government. As defined by GASBS No. 14, component units are legally separate entities that are included in the Parish Government's reporting entity because of the significance of their operating or financial relationships with the Parish Government.

(B) Basis of Presentation

The accompanying financial statements of the Waterworks District No. 4 of St. Martin Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body

for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board(FASB) pronouncements and Accounting Principles Board(APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

(C) Fund Accounting

The financial transactions of the Waterworks District are reported in individual funds and account groups. Funds are accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The following fund type is used by the Waterworks District:

1. Proprietary Fund

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Waterworks District's single proprietary fund:

Enterprise Fund-Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

(D) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The business-type activities in the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(E) Financial Statement Amounts

1. Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Waterworks District No. 4 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are fully secured through the pledge of bank-owned securities or federal deposit insurance. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The carrying amount of cash and cash equivalents are displayed on the balance sheet as follows:

| | <u>Book Balance</u> |
|-----------------|---------------------|
| Demand Deposits | \$195,565 ===== |

Deposits with banks are categorized to give an indication of the level of risk at June 30, 2002 as follows:

| | |
|--------------------------|--------------------|
| Federal Insurance (FDIC) | \$213,583 ===== |
|--------------------------|--------------------|

2. Accounts Receivable and Uncollectible Charges

The Waterworks District No. 4 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$300 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation

on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---------------------------------|-------------|
| Buildings | 20-30 years |
| Water System | 50 years |
| Furniture, Fixtures & Equipment | 5-10 years |
| Improvements | 20-25 years |

The cost of such assets at June 30, 2002, and the related depreciation calculated on the straight-line basis over the estimated useful lives of the assets is as follows:

| | |
|-------------------------------------|-------------|
| Land and buildings | \$ 64,649 |
| Furniture, fixtures & equipment | 9,493 |
| Water Distribution System | 312,412 |
| Water System Additions/Improvements | 499,458 |
| Construction in Progress | 1,311,103 |
| | ----- |
| Subtotal | \$2,197,115 |
| Less: Accumulated Depreciation | 474,359 |
| | ----- |
| Total | \$1,722,756 |
| | ===== |

Depreciation expense was \$12,522 for fiscal year ended June 30, 2002.

4. Restricted Assets

Certain assets of the Waterworks District No. 4 are restricted for construction funded through long-term debt and federal grant revenues. Also, the excess of assets over certain liabilities restricted for the debt service on revenue bonds are included in the restricted asset total.

5. Notes Payable

Pursuant to funding provided by the U. S. Department of Agriculture's Rural Development Administration, funding in the aggregate amount of \$2,295,000 of loan proceeds, and \$1,182,000 of grant proceeds were made available to the newly created Waterworks District No. 4 of St. Martin Parish, Louisiana, in order to acquire the net assets of the Catahoula Water System, Inc. As of June 30, 2002, title to all assets of the water system had been acquired by the water district, and all existing liabilities and loan balances of the water system had been liquidated by the water district.

A summary of the outstanding interim loan proceeds owed by the Waterworks District No. 4 at June 30, 2002 is as follows:

| | Present Balance ----- | Current Portion ----- |
|--|-----------------------------|-----------------------------|
| Revenue Bond Anticipation Notes-St. Martin Bank | \$1,737,991 | \$1,737,991 |
| Revenue Bond Anticipation Notes-LPFA | 345,000 | 345,000 |
| | ----- | ----- |
| Total | \$2,082,991 ===== | \$2,082,991 ===== |

The annual requirements to amortize all notes outstanding at June 30, 2002, including interest are as follows:

| Fiscal Year <u>End</u> | <u>Total</u> |
|---------------------------|----------------------|
| 6/03 | \$2,082,991 |
| 6/04 | -0- |
| 6/05 | -0- |
| 6/06 | -0- |
| 6/07 | -0- |
| | ----- |
| Total | \$2,082,991 ===== |

6. Revenues/Operating Expenses

All proprietary fund revenues are accrued. Subsidies and grants to the proprietary fund which finance capital or current operations are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenues by the recipient.

Operating expenses are recognized when incurred.

(2) RETIREMENT PLANS

All employees of the Waterworks District are members of the Social Security Retirement System. No supplemental retirement or pension plans are maintained or provided by the Waterworks District.

(3) COMPENSATED ABSENCES

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave.

(4) SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards is composed exclusively of federal loan balances subject to continuing compliance requirements, and hence includible as federal awards expended in accordance with OMB Circular A-133 Section 205(b).

(5) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years.

(6) CONTINGENT LIABILITIES

The Waterworks District has no contingent liability exposure of which management is aware as of 6/30/02.

(7) FUND DEFICIT

The Waterworks District has a deficit fund equity at 6/30/02 due primarily to the assumption of the assets and liabilities of its predecessor organization, the Catahoula Water System. This deficit will be reversed in the ensuing fiscal year upon receipt of grant proceeds from the USDA's Rural Development Office for completion of the water system improvements which are currently under construction.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

Schedule

SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2002

The Corporation was protected by insurance as follows:

Fire and Extended Coverage (Subject to 90% co-insurance)
on water treatment plant, tower, tank, service pump and
buildings, with policy expiration date of April 12, 2003.

Fire hydrants

Water pump and controls

Well controls

| | |
|-------|---------------------|
| Total | \$ 478,682 ===== |
|-------|---------------------|

Flood Insurance-Expiration date of November 26, 2002.

| | |
|----------|--------------------|
| Building | \$ 61,300 ===== |
|----------|--------------------|

| | |
|----------|-------------------|
| Contents | \$ 5,900 ===== |
|----------|-------------------|

Comprehensive general and automobile liability as follows, with
policy expiration date of August 14, 2002:

| | |
|----------------|------------|
| Bodily Injury: | |
| Each Person | \$ 300,000 |
| Each Accident | \$ 300,000 |

| | |
|-----------------|------------|
| Property Damage | \$ 300,000 |
|-----------------|------------|

Standard Workmen's compensation with limits of
\$100,000/\$500,000/\$100,000

Employee's Fidelity Bond-Renewable December 15, 2002:

| | |
|----------------------------|--------------------|
| Inclusive of all employees | \$ 55,000 ===== |
|----------------------------|--------------------|

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

Schedule 2

SCHEDULE OF OFFICERS/BOARD MEMBERS
JUNE 30, 2002

| | <u>Term Expires</u> |
|-----------------------------------|-------------------------|
| Ned Decoux-President(318)394-4153 | 2002 |
| Camille Blanchard-Board Member | 2002 |
| Otis Courville-Board Member | 2002 |
| Dallas Melancon-Board Member | 2002 |

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

Schedule 3

OPERATING DATA
JUNE 30, 2002

At June 30, 2002 total customers on the water system totalled 535, with 47 of that number being commercial users and 488 being residential users. Two customers are classified as schools. Of the 47 commercial users, 2 had meters larger than the standard size 3/4" residential meter.

The current water rates for the Catahoula Water System, Inc. are as follows:

| | | | | |
|-------------|---|--------------------------|---|------------------------------|
| Residential | - | \$12.00 per 2,000 Gal. | + | \$2.50 per add'l. 1,000 Gal. |
| Commercial | - | \$24.00 per 4,000 Gal. | + | \$2.50 per add'l. 1,000 Gal. |
| School | - | \$167.00 per 45,000 Gal. | + | \$2.50 per add'l. 1,000 Gal. |

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N. MAIN STREET

ST. MARTINVILLE, LOUISIANA 70582

TELEPHONE: (337) 394-5571 • FAX: (337) 394-1720

CHARLES M. MARAIST, CPA *

REGINA B. MARAIST, CPA *

* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

We have audited the financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, as of June 30, 2002 and for the year then ended, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 4 of St. Martin Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Waterworks District's internal control over financial reporting of in order to determine our auditing procedures for the purpose expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Waterworks District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings, questioned costs, and management's corrective action plan as item 02/1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition identified above is a material weakness.

This report is intended solely for the information and use of the management, board members, others within the organization, federal awarding agencies and pass-through entities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.



MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2002

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N. MAIN STREET

ST. MARTINVILLE, LOUISIANA 70582

TELEPHONE: (337) 394-5571 • FAX: (337) 394-1720

CHARLES M. MARAIST, CPA *

REGINA B. MARAIST, CPA *

* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

Compliance

We have audited the compliance of the Waterworks District No. 4 of St. Martin Parish, Louisiana with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. The Waterworks District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs, and management's corrective action plan. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on the Waterworks District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Waterworks District's compliance with those requirements.

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

In our opinion, the Waterworks District No. 4 of St. Martin Parish, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Waterworks District No. 4 of St. Martin Parish, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Waterworks District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, board members, others within the organization, federal awarding agencies and pass-through entities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.



MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2002

CATAHOULA WATER SYSTEM, INC.
Catahoula, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2002

| FEDERAL GRANTOR/PASS-THRU GRANTOR/PROGRAM OR <u>CLUSTER TITLE</u> | FEDERAL CFDA <u>NUMBER</u> | FEDERAL <u>EXPENDITURES</u> |
|---|-------------------------------|--------------------------------|
| United States Dept. of Agriculture-Rural Development | | |
| Water and Waste Disposal Systems for Rural Communities* | 10.418 | \$2,082,991 ===== |

*Denotes major federal financial assistance program.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
and Management's Corrective Action Plan**
Year Ended June 30, 2002

Part I: Summary of Auditor's Results:

1. An unqualified report was issued on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statements.
3. Material noncompliance was not disclosed.
4. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The major program was:

United States Department of Agriculture-Rural
Development: Water and Waste Disposal Systems for
Rural Communities
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
and Management's Corrective Action Plan(Continued)**
Year Ended June 30, 2002

Part II: Findings which are required to be reported in accordance with generally accepted government auditing standards:

02/1-Inadequate Segregation of Accounting Duties

Finding:

Due to the small number of employees, the Water System did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan:

The Water System has determined that it is not cost effective to completely segregate accounting functions. However, management will periodically review the financial records to insure that their integrity is maintained. No management plan beyond this periodic review is considered necessary.

Part III: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There are no findings that are required to be reported under the above guidance.

Part IV: Management Letter Items:

There were no management letter items at June 30, 2002.

WATERWORKS DISTRICT NO. 4
of St. Martin Parish, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

There were no previous audit findings at June 30, 2001.